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FEDERAL COMMUNICATIONS COMMISSION

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Honorable Dan Hamburg  
House of Representatives  
114 Cannon House Office Building  
Washington, D.C. 20515

Dear Congressman Hamburg:

This in reply to your letter of September 20, 1993, concerning the impact of the competitive bidding provisions of the Omnibus Budget Reconciliation Act of 1993 (Budget Act) on rural areas like Northern California.

On October 12, 1993, the Commission released a Notice of Proposed Rule Making, ~~93-253~~ **No. 93-253** (Auction NPRM), to implement the provisions of the Budget Act concerning competitive bidding. According to the Budget Act, the Commission must ensure the economic opportunity of small businesses, businesses owned by women and minorities and rural telephone companies. To meet this Congressional mandate, the Auction NPRM proposed a variety of financial incentives for the designated entities. Specifically, we proposed to offer the designated entities the equivalent of government financing for payment of their bids for radio services subject to competitive bidding, i.e., installment payments with interest. We also asked for comment on the use of tax certificates. In the case of broadband PCS, the Commission also proposed to set-aside two blocks of spectrum in each market, one of 20 MHz and one of 10 MHz, for bidding by the designated entities. In this manner, the designated entities would only compete with one another for broadband PCS, rather than against larger entities with easier access to capital.

In addition, the Auction NPRM includes proposals that reflect your concerns regarding the development of PCS in rural areas by consortia and individual licensees. First, the Auction NPRM proposes that if consortia qualify as one of the designated entities, then they would also be eligible for the same investment incentives proposed for such entities. Second, the Auction NPRM asks whether one of the designated entities, rural telephone companies, should only be eligible for preferential measures if the license for which they bid also encompasses all or some significant portion of their franchised service area. If adopted, this proposal would help ensure that entities interested in constructing and operating PCS systems have investment incentives to serve rural areas.

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Honorable Dan Hamburg

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In a separate proceeding on PCS, GEN Docket 90-314, we required all PCS licensees to offer service to one-third of the population in each market within five years, two-thirds within seven years, and 90 percent within ten years of being licensed. Finally, regarding your concern about cellular providers, current cellular providers, defined as those parties that own 20 percent or more interest in the cellular licensee, are eligible to hold PCS licenses on the same basis as all other eligible applicants in areas where their cellular service areas cover less than ten percent of the respective PCS service area's population. Where there is ten percent or more overlap, cellular operators will be eligible to hold only one 10 MHz license out of the 120 MHz to be auctioned.

Sincerely,

  
James H. Quello  
Chairman

DAN HAMBURG  
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# Congress of the United States

House of Representatives

Washington, DC 20515

September 20, 1993

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90-314  
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The Honorable James Quello  
Chairman, Federal Communications Commission  
1919 M Street NW  
Washington, D.C. 20554

3779

Dear Chairman Quello:

I am writing about the Federal Communication Commission's impending licensing decision regarding personal communications services (PCS). I am concerned that the licensing approach ensures that rural areas like Northern California have an equal opportunity to develop and participate in this field.

I urge you to fully evaluate the unique needs of rural areas when making a final decision on PCS licensing. Under any licensing approach, urban areas will continue to thrive in the telecommunications field because of population density and market access. Rural areas have a different economic structure that the FCC must address for PCS to truly succeed nationwide. Both nationwide and multi-market licensing of PCS have potential benefits and drawbacks for rural areas.

On the one hand, rural areas could benefit from nationally licensed PCS consortia led by a major company able to finance the expensive infrastructure costs that small companies would be unable to otherwise afford. Such a licensing approach, however, must require the consortium to develop PCS in the deeper rural areas of the United States, rather than limiting infrastructure development to lucrative urban markets.

Multi-market licensing, on the other hand, would allow small businesses to own licenses outright. To ensure much-needed competition and small business start-ups, however, current cellular licensees who apply for the PCS license must be required to commit to providing PCS within a reasonable timeframe.

The economic future of rural areas depends heavily on their inclusion in the "information highway." The remote location and lack of population density of my district limits its industrial economy. A strong telecommunications infrastructure could open the door to economic strength and diversification. PCS competition with local phone companies and the cellular industry will be a key element of this infrastructure.

I urge you to consider the impact of your actions on rural areas carefully, and to fashion license procedures that will promote efforts to deliver PCS to the more remote locations of the United States.

Best regards,

*Dan Hamburg*

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